

Message Text

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13

ACTION NEA-12

INFO OCT-01 EUR-25 IO-14 ISO-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 INT-08

SCI-06 FEA-02 DODE-00 PM-07 H-03 L-03 NSC-10 PA-04

PRS-01 SS-20 USIA-15 DRC-01 SPM-01 /209 W

----- 129356

R 161715Z JAN 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9067

INFO USMISSION EC BRUSSELS

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY LONDON

USMISSION GENEVA

OECD PARIS 1067

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: ECON, EGEN, EFIN, IN

SUBJECT: SUMMARY AND ANALYSIS OF DRAFT FIFTH FIVE YEAR PLAN:
THE OVERVIEW

REFS: A. NEW DELHI 15082 B. NEW DELHI 0267 C. TOAID A-29
FEBRUARY 6, 1973.

BEGIN SUMMARY: IN REF A WE REPORTED THAT THE FIFTH FIVE YEAR
PLAN HAS BEEN PRESENTED TO PARLIAMENT AND STARTED THE PROCESS
OF DESCRIBING AND ANALYZING IT. THIS MESSAGE CONTINUES THE
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PROCESS. ITS SUBSTANTIVE CONTENTS DEALS WITH PLAN'S OWN OVERVIEW

(PARAS 6 THROUGH 13). INDIVIDUAL SECTORS OF THE PLAN WILL BE THE SUBJECT OF SEPARATE MESSAGES. END SUMMARY.

1. REFTEL A SUMMARIZED AND BRIEFLY ANALYZED DRAFT FIFTH FIVE YEAR PLAN AS PRESENTED TO THE PARLIAMENT AND PROMISED MORE DETAILS AFTER WE HAD A CHANCE TO LOOK THE PLAN OVER IN GREATER DETAIL. THIS MESSAGE CONSTITUTES A DOWN PAYMENT ON THAT PROMISE. WE HAVE FARMED OUT THE PLAN (COPIES OF WHICH HAS JUST BECOME AVAILABLE) TO THOSE ELEMENTS IN THE EMBASSY THAT HAVE THE APPROPRIATE COMPETENCE IN ITS VARIOUS ASPECTS. RATHER THAN HOLDING UP REPORTING UNTI ADP000
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PRS-01 SS-20 USIA-15 DRC-01 SPM-01 /209 W

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R 161715Z JAN 74
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 9068
INFO USMISSION EC BRUSSELS
AMEMBASSY DACCA
AMEMBASSY ISLAMABAD
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8. SAVINGS REQUIRED TO FINANCE THE INVESTMENT ARE EXPECTED TO COME HEAVILY FROM THE PUBLIC SECTOR AS INDICATED BY THE FOLLOWING TABLE:

NOH	"1973-74	'78-79
SAVING	12.2	15.7
PUBLIC SECTOR	2.8	6.0
GOVERNMENT	(1.5)	(3.6)

PUBLIC CORPORATE SECTOR (1.3) (2.4)
PRIVATE SECTOR
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9.4 9.7

9. THE PLAN REAFFIRMS GOAL OF "SELF-RELIANCE", BUT THE TIME SCHEDULE HAS AGAIN BEEN EXTENDED, NOW TO 1985/86. NET RESOURCES NEEDED FROM ABROAD ARE ESTIMATED AT APPROXIMATELY DOLS 1 BILLION BY INDIAN FISCAL YEAR 1978/79 AND DOLS 125 MILLION IN IFY 1983/84. THE PROGRESSIVE REDUCTION IN NET RESOURCES FROM ABROAD IS PLANNED TO COME THROUGH A VIGOROUS EXPORT EFFORT-- PARTICULARLY IN IRON ORE AND ALUMINUM, STEEL, ENGINEERING GOODS, HANDICRAFTS, FISH AND LEATHER MANUFACTURES-- ALONG WITH CONTINUED IMPORT SUBSTITUTION. IMPORTS OF POL ARE PROJECTED TO RISE TO OVER DOLS 1 BILLION IN 1978/79, DESPITE THE LARGER DOMESTIC CRUDE OUTPUT ALSO FORECAST (REF B).

10. ALONG WITH PROGRESS TOWARDS ECONOMIC INDEPENDENCE, THE PLAN EMPHASIZES AS A TWIN GOAL THE REMOVAL OF POVERTY. THIS IS TO BE ACCOMPLISHED (ALTHOUGH ADMITTEDLY NOT ENTIRELY WITHIN THE FIFTH PLAN) BY THE 5.5 PERCENT RATE OF ECONOMIC GROWTH POSTULATED BY THE PLAN AND BY BETTER DISTRIBUTION OF INCOME. THE PLAN POINTS OUT THAT EVEN THE POSTULATED 5.5 PERCENT RATE OF GROWTH WITHOUT IMPROVEMENT IN THE DISTRIBUTION OF INCOME WOULD STILL LEAVE AN UNACCEPTABLY HIGH PROPORTION OF THE POPULATION BELOW THE POVERTY LINE (DEFINED AS RS. 40.6 PER CAPITA MONTHLY INCOME IN 1972/73 PRICES, OR ABOUT DOLS 5.00 A MONTH) FOR MANY YEARS TO COME. IN 1973/74 THE PER CAPITA CONSUMPTION OF THE BOTTOM 30 PERCENT OF POPULATION IS GIVEN AS RS.25 PER MONTH AND BY 1978/79 IT WOULD RISE ONLY TO RS.29 PER MONTH WITH A 5.5 PERCENT RATE OF ECONOMIC GROWTH AND THE EXISTING DISTRIBUTION.

11. THE CHAPTER ON OBJECTIVES AND POLICY FRAME IS STRIKINGLY PLATITUDINOUS AND NON-SPECIFIC. WHO, FOR EXAMPLE, WOULD ARGUE WITH THE PROPOSITION THAT ACHIEVING "A HIGHER GROWTH RATE WILL REQUIRE MORE INVESTMENT AND HIGHER LEVELS OF EFFICIENCY", OR THAT GREATER EMPHASIS ON "SELF-RELIANCE IMPLIES THAT AT A HIGHER LEVEL OF SAVINGS HAS TO BE GENERATED DOMESTICALLY...", OR THAT "REDUCTION IN INEQUALITIES OF INCOME...AND CONSUMPTION LEVELS REQUIRES THAT SAVINGS MUST COME FROM THE MORE AFFLUENT SECTION OF OUR SOCIETY."? TO FINANCE INVESTMENT IN A NON-INFLATIONARY MANNER (PARTICULARLY LONG-GESTATION PROJECTS) THE PLAN CALLS FOR SEVERAL IMPROVEMENTS IN THE FISCAL SYSTEM
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AND BETTER PRICING POLICIES FOR PUBLIC INDUSTRIES. IT

SPECIFICALLY ESCHEWS DEFICIT FINANCING FOR THE NEXT TWO YEARS WHEN IT SAYS INFLATION IS LIKELY TO REMAIN AT A HIGH LEVEL. IT CALLS FOR A CONSIDERABLE DEGREE OF PUBLIC CONTROL AND DIRECTION OVER PRIVATE INVESTMENT TO ASSURE THAT IT IS CONSISTENT WITH PLAN AIMS.

12. THE PLAN ATTEMPTS TO TAKE A LONGER PERSPECTIVE THAN THE APRIL 1974- MARCH 1979 PERIOD OF THE PLAN ITSELF. FOR SOME PURPOSES IT CARRIES PROJECTIONS FORWARD TO 1986. ON THE ASSUMPTION OF A DEMOGRAPHIC SHIFT FROM A BIRTH RATE OF 35.57 PER THOUSAND IN 1971/76 TO 24.82 IN 1981/86 AND IN THE DEATH RATE FROM 15.23 TO 11.14 IN 1981/86, THE PLAN ESTIMATES TOTAL POPULATION TO INCREASE FROM 547 MILLION ON MARCH 1, 1971 TO 581 MILLION IN 1974 AND 705 MILLION IN 1986. THIS WOULD ADJUST THE AGE STRUCTURE OF THE POPULATION UPWARD WITH THE SHARE OF 0-14 FALLING FROM 41.4 PERCENT IN 1971 TO 33.6 PERCENT IN 1986. (FROM 1961/70, THE BIRTH RATE WAS 39.9 AND THE DEATH RATE WAS 18.1). URBANIZATION IS EXPECTED TO CONTINUE BUT AT A SOMEWHAT SLOWER RATE, AND THE LABOR FORCE TO INCREASE AS A SHARE OF TOTAL POPULATION.

13. IN REVIEWING FOURTH PLAN PERFORMANCE AS A BACKDROP FOR FIFTH PLAN AIMS, THE PLAN CLEARLY SHOWS THAT MINING, MANUFACTURE, ELECTRICITY AND TRANSPORT FELL WELL BELOW PLAN AIMS. SO DID AGRICULTURE, BUT BY A LESSER EXTENT. CONSTRUCTION AND PUBLIC ADMINISTRATION AND DEFENSE EXPENDITURES OVERSHOT THEM BY A WIDE MARGIN. IN ALL, THE PLAN GIVES THE LIKELY FORTH PLAN GROWTH RATE AS 3.7 PERCENT A YEAR RATHER THAN THE 5.5 PERCENT AIMED AT. MOYNIHAN

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